

Quebec Drug
Insurance Pooling
Corporation



Société de compensation
en assurance médicaments
du Québec

DRUG INSURANCE IN QUEBEC

Terms and Conditions for 2009

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PROPOSED TERMS & CONDITIONS FOR 2009

Size of group (no. of certificates)	Threshold per certificate	Annual factor <i>Without</i> dependant(s)	Annual factor <i>With</i> dependant(s)
Fewer than 25	\$ 4,400	\$ 127	\$ 350
Between 25 and 49	\$ 11,300	\$ 60	\$ 165
Between 50 and 124	\$ 21,000	\$ 23	\$ 64
Between 125 and 249 *	\$ 37,000	\$ 7	\$ 19
250 and over **	\$ 60,000	No explicit charge	No explicit charge

* Insured groups only – private plan coverage

** Insured groups only – RGAM coverage

- Since the introduction of the pooling model, the thresholds have been increased to reflect increases in drug costs. For 2009, they were adjusted at a rate of 15%.
- This scenario proposes merging the first two strata, fewer than 9 and of 10-24, and to establish the pooling threshold at \$4,400.
- The pooling parameters have been modified according to a projection of the volume of future claims using an average trend between the years 2004 and 2006 as hypothesis for inflation in drug costs. The growth ratio used for each stratum is subject to a minimum of 10% and a maximum of 200%. This hypothesis takes into account the current variations observed in the market.
- The Terms and Conditions calculated conform to the current reasonability test after adjustments.
- A per certificate pooling approach continues to apply.

All plans are subject to the following conditions:

- The compensation formula of 80% of the first \$4,635 and 100% of the remainder is based on the annual minimum disbursement of \$927.
- The terms and conditions of pooling assume a loss index of 90%.
- Thresholds for groups have been set so that the rate increases for a group with poor experience following a very large claim will be less than 20% before inflation in the cost of medications.
- The parameters of the 20% Test have been brought up to date for the review of the Terms and Conditions for 2009 as follows:
 - To reflect a recent market analysis, the proportion of certificates making claims was judged to be too low and raised from 62.5% to 80%.
 - The calculation posits total premiums paid using an average claim per certificate that is no longer adjusted as if it were an average claim per individual, since that had the effect of overestimating the premium.
 - Following industry practice, a credibility factor has been accorded to experience based on group size. The credibility formula used is the square root of the number of certificates divided by 75. This formula was determined based on a poll of insurers participating in pooling.

Specific conditions for plans with fewer than 250 certificates:

- The strata of fewer than 10 certificates and for 10 to 25 certificates have been combined.
- Eligible medications continue to be those covered by the private plan.

- The compensation formula, based on risk sharing, remains the so-called pyramidal formula of compensation by levels, which makes it possible to avoid the difficulties of a given stratum having to absorb an exceptional volume of large claims by sharing them across the entire pooled population using a cumulative approach by level.

Specific conditions for to plans of 250 certificates and over:

- Only the cost of medications covered by the basic plan (RGAM) is pooled.
- The method of compensation, based on market share, remains unchanged.

The proposed pooling parameters for 2009 satisfy the adjusted 20% Test, as follows:

Size	Threshold 2009	Incidence* of claims above the threshold	Rate increase
Fewer than 10	\$ 4,400	3.09%	8%
Between 10 and 24	\$ 4,400	3.09%	8%
Between 25 and 49	\$ 11,300	0.57%	13%
Between 50 and 124	\$ 21,000	0.23%	20%
Between 125 and 249	\$ 37,000	0.05%	20%
250 and over	\$ 60,000	n.a.	n.a.

* The incidence is calculated for each threshold in considering groups of all sizes, as the number of certificates presenting a claim exceeding the threshold divided by the total number of certificates exposed to risks.

[APPENDIX I - Retrospective](#)

[APPENDIX II - Quantitative Results](#)